AQA A-LEVEL ECONOMICS · 7136

# ECONOMICS



## MARK SCHEME

### 3.2.1.1 THE OBJECTIVES OF GOVERNMENT ECONOMIC POLICY

| SCORE | PERCENTAGE |
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| /51 | % |

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Mark schemes

**1.** A

**[1]**



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**2.**

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| **Introduction** | • The nature of EU single market<br>• Origins of the EU<br>• How 'beneficial' may be measured in terms of macroeconomic performance. |
| **Developing the response to the question:**<br><br>**Application** | **Drawing on the information in the extracts:**<br>• Electoral success **(Extract B)**<br>• Lower taxes creating growth **Extract B**<br>• Balancing budget helped by growth (**Extract B**)<br>• Reduced size of the state (**Extract B**)<br>• What goods and services the state provides (**Extract C**)<br>• Health, education and welfare in terms of living standards (**Extract C**)<br>• Benefiting certain income groups (**Extract C**)<br>• The effect of shifting from direct to indirect taxation (**Extract C**) |
| **Developing the response to the question:**<br><br>**Analysis** | **Arguments why direct tax cuts may be beneficial for growth and living standards:**<br>• Increased consumption possibilities<br>• Increased AD as a result of increased consumption and short-run economic growth<br>• Possible increase in firms profits and its role in stimulating investment<br>• Individuals are able to spend more on what they wish, improving welfare<br>• Reduced tax rates leading to more tax revenue (Laffer curve arguments)<br>• Links between economic growth and living standards<br>• Reducing crowding out<br>• Possible multiplier effects.<br>**Arguments why direct tax cuts may be damaging for growth and living standards:**<br>• Possibly leading to reduced state intervention<br>• Reduction in provision of both public and merit goods<br>• Possible increased inequality<br>• Rich having a larger marginal propensity to save, therefore not spending as much, reducing the circular flow<br>• Possible negative multiplier effects<br>• Lack of crowding in<br>• Costs of economic growth in terms of living standards (eg pollution). |



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| **Evaluation** | • Short-run vs long run considerations<br>• Are growth and living standards always necessarily directly linked?<br>• How can living standards be judged and what factors need to be considered in their measurement? (This could include HDI or other suitable measurements).<br>• The role of the state and the effects of merit and public goods on living standards<br>• Differences between New Zealand's and UK's experiences, eg New Zealand linked to fast growing Asia-Pacific region.<br>• The idea that living standards and growth encompass a wide range of factors beyond that which domestic governments have control.<br>*Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.* |
| **Also give credit for** | • Reference to the UK/other economies<br>• Relevant diagrams<br>• An overall judgement on the issues raised. |

It will only be possible for candidates to consider a few of the above. They may also discuss other issues not discussed above

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**4.**

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| **Introduction** | • Economic growth<br>• Living standards/the quality of life<br>• Measurements of living standards. |
| **Developing the response to the question:**<br><br>**Application / Analysis** | • Measuring economic growth<br>• Correlations between growing real GDP per capita and living standards<br>• The change in real GDP per capita as a monetary indicator and the suitability of this for use in judging living standards<br>• Long-run and short−run growth considerations<br>• Inaccuracy and variability in growth rates<br>• HDI/Legatum prosperity index/Misery index/Happy planet index or any other measurement of living standards<br>• Regional differences within countries<br>• Possibilities of increased consumption possibilities<br>• Provision of merit goods/public goods<br>• Pollution and the environment<br>• Inequality issues within countries. |
| **Evaluation** | • The sustainability of the growth and consideration of how fast economies are growing<br>• Discussion of the prioritisation of the various factors which make up living standards<br>• Consideration of trade−offs involved in growth<br>• The ability of individuals to move between countries in pursuit of better living standards<br>• Consideration of different economies experiences<br>• Differences between different economic perspectives on welfare provision between different countries and over time<br>• Considering that the judgement of standards of living is highly subjective and different individuals have different opinions on living standards<br>• Exogenous factors beyond the control of the country may impact on living standards for example global warming.<br>*Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.* |
| **Also give credit for** | • Reference to the UK/other economies<br>• Diagrams<br>• An overall judgement on the issues raised. |



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